

Message Text

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INFO OCT-01 ISO-00 PM-03 L-02 EB-07 XMB-02 EUR-12 EA-06

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CIEP-01 SP-02 STR-01 LAB-04 SIL-01 SAM-01 OMB-01 SS-15

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L/PM: JMICHEL

PM/SAS: DJJAMES

EXIM: DAMBACH

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TO AMCONSUL AMSTERDAM IMMEDIATE

AMEMBASSY BONN IMMEDIATE

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AMEMBASSY COPENHAGEN IMMEDIATE

AMEMBASSY DUBLIN IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY LUXEMBOURG IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

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C O R R E C T E D C O P Y (PARA VI SUB-PARA 5)

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TAGS: EFIN, XM

SUBJECT: GENTLEMEN'S AGREEMENT ON EXPORT CREDIT

REF: EC BRUSSELS 983

1. USG AGENCIES HAVE AGREED ON DRAFT TEXT OF GENTLEMEN'S AGREEMENT THAT FOLLOWS AND ARE PREPARED TO DISCUSS THIS WITH PROSPECTIVE SIGNATORIES.

2. U.S. IS PREPARED TO SEND USG REPS TO BRUSSELS FOR TECHNICAL DISCUSSIONS ON FEBRUARY 26 AND 27 AS PROPOSED BY THE EC. WE HOPE THAT MEETING COULD ARRIVE AT A COMMON DRAFT ON ALL ISSUES EXCEPT INTEREST RATES AND THE APPROACH TO BE TAKEN ON MATURITY LIMITATIONS, WHICH WOULD REQUIRE

SUDSEQUENT POLITICAL LEVEL DECISION. ANY AGREEMENT NEGOTIATED MUST BE INTEGRATED PACKAGE ARRIVED AT POLITICAL LEVEL AS A UNIT, NOT PIECEMEAL. (FYI: PROBLEMS RELATING TO IMPOSING MATURITY LIMITATIONS ON FMS CREDITS TO ISRAEL, GREECE, PANAMA AND SPAIN HAVE NOT REPEAT NOT BEEN RESOLVED IN WASHINGTON. WE ARE ALSO CONSIDERING POSSIBLE DESIREABILITY OF PROVISIONS REGARDING RENEGOTIATION OF LOANS TO WHICH GENTLEMEN'S AGREEMENT APPLICABLE. END FYI)

3. U.S. BELIEVES THERE WOULD BE BETTER CHANCE FOR ULTIMATE AGREEMENT IF TECHNICAL SESSION WERE PRECEDED BY SMALL INFORMAL SESSION ON FEBRUARY 25 WITH MRS. ARCHIBALD AND COUNTRY REPRESENTATIVES SHE BELIEVES APPROPRIATE IN ORDER TO DISCUSS BASIC REASONS FOR DIFFERENCES IN POSITIONS AND WORK AT METHODS TO BRIDGE GAPS.

4. TO ACCOMODATE GOJ REQUEST FOR PRIOR CONSULTATIONS U.S. SUGGESTS AN INFORMAL BILATERAL MEETING IN BRUSSELS ON FEBRUARY 25.

5. ACTION ADDRESSEE POSTS ARE REQUESTED TO CONVEY U.S. PROPOSAL AND FOLLOWING TEXT TO EC COMMISSION AND HOST GOVERNMENTS.

6. BEGIN TEXT - "IN ORDER TO REDUCE THE DISPARITY BETWEEN THE TERMS OF GOVERNMENT SUPPORTED EXPORT CREDITS AND LIMITED OFFICIAL USE
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THE TERMS OF EXPORT CREDITS AVAILABLE FROM PRIVATE SOURCES AND TO PREVENT A WORSENING OF THE TERMS OF CREDIT GRANTED BY THE MAIN EXPORTING COUNTRIES, THE UNDERSIGNED GOVERNMENTS, HEREAFTER CALLED THE PARTIES, HAVE AGREED TO ABIDE BY THE FOLLOWING RULES GOVERNING OFFICIAL SUPPORT FOR EXPORT CREDITS:

I. MINIMUM INTEREST RATES

1. THE PARTIES HEREBY UNDERTAKE TO ENSURE THAT PUBLIC MEASURES AFFECTING THE RATE OF INTEREST FOR EACH EXPORT CREDIT OF OVER 2 YEARS ARE CALCULATED IN SUCH A WAY THAT THE RATE IS AT LEAST 8 PERCENT PER ANNUM, CALCULATED ON A SEMI-ANNUAL BASIS.

2. HOWEVER, IN THE CASE OF THE CREDITS REFERRED TO UNDER I-1 FOR COUNTRIES INCLUDED IN THE LIST IN ANNEX I, WHICH WAS DRAWN UP BY COMMON AGREEMENT ON THE BASIS OF AN ESTIMATE OF THE PER CAPITA GNP FOR 1975, THE PARTIES UNDERTAKE TO ENSURE THAT ANY PUBLIC MEASURES AFFECTING THE RATES WILL RESULT IN A RATE CORRESPONDING WITH THE MARKET RATE, WHICH AT THIS TIME IS DETERMINED TO BE 10 PERCENT.

3. FOR THE PURPOSES OF APPLYING THE ABOVE: (A) "PUBLIC MEASURES" MEANS: --FINANCIAL ASSISTANCE PROVIDED FOR EXPORT CREDITS BY ONE OF THE FOLLOWING: -- THE STATE; --PUBLIC BODIES; --CENTRAL BANKS; --INSTITUTIONS WHICH RECEIVE FINANCIAL GRANTS FROM, OR ARE PARTICIPATED IN BY THE STATE OR ITS PUBLIC BODIES; --INSTITUTIONS WHICH HAVE RECEIVED FROM THE STATE, PUBLIC BODIES OR FROM CENTRAL BANKS, A MANDATE, GENERAL OR SPECIFIC, TO GIVE EXPORT CREDIT. --PUBLIC REGULATIONS GOVERNING THE RATES OF RETURN OF BANKS; --PUBLIC GUARANTIES AND INSURANCE FOR THE PURPOSE OF REDUCING INTEREST RATE.(B) "INTEREST RATE MEANS" --THE FINANCING RATE OF FINANCIAL CREDITS; --THE REFINANCING RATE OF SUPPLIER CREDITS; OR --THE MIXED RATE WHERE ONLY CERTAIN PORTIONS OF THE CREDIT ARE FINANCED BY AN OFFICIAL EXPORT FINANCE BODY, THE REMAINING PART OF THE

CREDIT BEING FINANCED, UNDER A SEPARATE CONTRACT, BY PRIVATE BANK CREDITS.

THE ABOVE MENTIONED FINANCING, REFINANCING AND MIXED RATES:

--DO NOT MEAN THE CONTRACT RATE TO BE PAID BY THE BENEFICIARIES OF THE CREDITS;

EXCLUDE ALL -- BANK COMMISSIONS OTHER THAN THOSE ALREADY LIMITED OFFICIAL USE
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TAKEN INTO ACCOUNT FOR CALCULATING PUBLIC MEASURES,
--EXPORT CREDIT INSURANCE CHARGES.

II. AVERAGE REAL COST

1. THE PARTIES HEREBY ALSO UNDERTAKE TO ENSURE THAT THE ANNUAL AVERAGE REAL COST OF EXPORT CREDITS OF OVER 2 YEARS BENEFITING FROM PUBLIC MEASURES IN RESPECT OF THE INTEREST RATE IS AT LEAST 8 1/2 PERCENT.

2. FOR THE PURPOSES OF CALCULATING SUCH ANNUAL AVERAGE EFFECTIVE COST, THE FOLLOWING IS TO BE TAKEN INTO ACCOUNT: THE TOTAL OF THE RATE OF INTEREST AS DEFINED IN I.3(B), ALL BANK AND CREDIT INSURANCE CHARGES, AND THE RESULT OF FINANCING A PART OF PUBLICLY SUPPORTED CREDITS AT INTEREST RATES HIGHER THAN THE AGREED MINIMUM RATE, THE COST OF EACH FINANCING BEING WEIGHTED BY ITS OUTSTANDING CONTRACT VALUE.

3. THE PROVISIONS UNDER 1. AND 2. ABOVE DO NOT APPLY TO THE CREDITS REFERRED TO IN I.2.

III. MAXIMUM LENGTHS OF CREDIT

1. THE PARTIES HEREBY UNDERTAKE TO ENSURE THAT EXPORT CREDITS BENEFITING FROM OFFICIAL SUPPORT EITHER IN THE FORM OF PUBLIC MEASURES AS DEFINED UNDER I.3(A) OR IN THE FORM OF CREDIT GUARANTEES AND INSURANCE ON BEHALF OF OR WITH THE SUPPORT OF THE STATE OR ANY OTHER PUBLIC BODY, DO NOT EXCEED 8 1/2 YEARS WITHOUT PREJUDICE TO THE SHORTER PERIODS RULING FOR MOST TRANSACTIONS.
2. HOWEVER, THE MAXIMUM LENGTH REFERRED TO UNDER 1. IS INCREASED TO 10 YEARS FOR CREDITS TO COUNTRIES LISTED IN ANNEX II, WHICH WAS DRAWN UP BY COMMON AGREEMENT, ON THE BASIS OF AN ESTIMATE OF THE PER CAPITA GNP FOR 1975.
3. THE LENGTHS OF THE CREDITS SHALL BE CALCULATED ON THE BASIS OF THE STARTING POINTS DEFINED BY THE BERNE UNION.

IV. MINIMUM PERCENTAGE OF DOWN-PAYMENTS

THE PARTIES UNDERTAKE TO ENSURE THAT IN THE CASE OF EXPORT CREDITS BENEFITING FROM OFFICIAL SUPPORT EITHER IN THE FORM OF PUBLIC MEASURES AS DEFINED UNDER I.3.(A) OR IN THE FORM OF CREDIT GUARANTEES AND INSURANCE ON BEHALF OF OR WITH THE SUPPORT OF THE STATE OR ANY OTHER PUBLIC BODY, LIMITED OFFICIAL USE
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THE DOWN-PAYMENTS TO BE RECEIVED, BY THE DATE OF THE STARTING POINT OF THE CREDIT AS DETERMINED BY THE BERNE UNION AT THE LATEST, AMOUNT TO AT LEAST 15 PERCENT.

V. LOCAL COSTS

THE PARTIES WILL APPLY THE PROVISIONS OF THE ANNEX TO DOCUMENT OECD TC/ECG/74.26.

VI. SCOPE

1. PROJECTS REQUIRING LONGER TERMS OF REPAYMENT - PARTIES MAY EXCEED THE MAXIMUM LENGTHS OF CREDIT STIPULATED IN III IF THE PUBLIC MEASURES AFFECTING INTEREST RATES WILL RESULT IN A RATE CORRESPONDING WITH THE MARKET RATE, WHICH AT THIS TIME IS DETERMINED TO BE 10 PERCENT.
2. SECTORAL AGREEMENTS
 - A. EACH PARTY AGREES TO APPLY TO THE EQUIPMENT COVERED IN AN OECD SECTORAL AGREEMENT THE PROVISIONS ON CREDIT CONDITIONS CONTAINED IN ANY SUCH AGREEMENT IF THE PARTY IS SIGNATORY TO SUCH AN AGREEMENT. WHERE ANY PARTY IS NOT SIGNATORY TO A SECTORAL AGREEMENT, THE PROVISIONS OF THIS AGREEMENT SHALL APPLY.
 - B. WHERE ONE OF THE CONDITIONS FOR CREDIT SET OUT IN THIS AGREEMENT IS NOT COVERED BY A SECTORAL AGREEMENT, THE PROVISIONS OF THIS ARRANGEMENT SHALL APPLY.
 - C. THE CREDIT CONDITIONS APPLYING TO NUCLEAR POWER STATIONS AND SUBSONIC CIVIL AIRCRAFT AND HELICOPTERS SHALL BE SUBJECT TO THE PROVISIONS OF THIS ARRANGEMENT, EXCEPT TO THE EXTENT THAT ONE OR THE OTHER OF THESE CONDITIONS IS THE SUBJECT OF NEGOTIATION FOR INCLUSION IN AN OECD

SECTORAL AGREEMENT.

3. LEASING

THE PROVISIONS OF THIS AGREEMENT SHALL APPLY TO EXPORT
LEASING CONTRACTS.

4. OFFICIAL ASSISTANCE

THE PROVISIONS OF THIS AGREEMENT SHALL NOT APPLY TO
OFFICIAL ASSISTANCE WHEN THE TERMS PROVIDED TO THE ULTIMATE
RECIPIENT ON THE ENTIRE PACKAGE OF GOVERNMENT-SUPPORTED
FINANCING FOR A PARTICULAR PROJECT OR PRODUCT CONTAIN A
GRANT ELEMENT OF AT LEAST 25 PERCENT AS DEFINED BY THE
DAC.

5. EXISTING AGREEMENTS AND COMMITMENTS

THE PROVISIONS OF THIS AGREEMENT SHALL NOT PREJUDICE
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EXISTING AGREEMENTS AND COMMITMENTS, PROVIDED THAT EXPORT
CREDIT SUPPORT UNDERTAKEN IN ACCORDANCE WITH SUCH AGREE-
MENTS OR COMMITMENTS, IS EXTENDED PRIOR TO THE PRESENTLY
ESTABLISHED EXPIRATION DATES OF SUCH AGREEMENTS OR COMMITMENTS
AND PROVIDED THAT INFORMATION ABOUT SUCH AGREEMENTS OR COMMITMENTS,
INCLUDING THEIR EXPIRATION DATES, IS PROVIDED IN WRITING
TO ALL OTHER PARTIES TO THIS AGREEMENT TEN DAYS PRIOR
TO THE EFFECTIVE DATE OF THIS AGREEMENT.

6. MATCHING

BY WAY OF DEROGATION FROM THE PROVISIONS UNDER I - V, EACH
PARTY MAY, AFTER SIMULTANEOUS NOTIFICATION TO THE OTHER
PARTIES, GRANT SOFTER TERMS THAN THOSE REFERRED TO UNDER
THESE SAME HEADINGS TO MATCH:(

-- DIRECT COMPETITION BENEFITING FROM PUBLIC MEASURES
NOT IN ACCORDANCE WITH THE RULES OF THIS ARRANGEMENT;

-- THE CONDITIONS OF LINES OF CREDIT OR OTHER BILATERAL
AGREEMENTS BETWEEN ANOTHER PARTY AND A THIRD COUNTRY UNTIL
THE DATE OF THEIR EXPIRY.

VII. IMPLEMENTATION OF THE ARRANGEMENT

1. THIS AGREEMENT ENTERS INTO FORCE AS SOON AS IT IS
ESTABLISHED BY MEANS OF NOTIFICATION TO THE CHAIRMAN OF
THE OECD GROUP ON EXPORT CREDITS AND CREDIT GUARANTEES
THAT THE PARTIES AGREE TO ITS PROVISIONS. EACH PARTY
WILL THEN ANNOUNCE THIS AGREEMENT WITHIN 2 WEEKS AND
ENSURE THAT ITS PROVISIONS TAKE EFFECT IMMEDIATELY.

2. ALL PARTIES TO THE AGREEMENT UNDERTAKE TO PROVIDE ONE
ANOTHER, IF SO REQUESTED, WITH ANY INFORMATION NECESSARY
TO ENSURE ITS EFFICIENT OPERATION. SUCH INFORMATION
SHALL BE PROVIDED WITHIN 72 HOURS OF RECEIVING A REQUEST.

3. ALL PARTIES TO THE AGREEMENT SHALL AT ALL TIMES BE ENTITLED TO REQUEST AMENDMENTS, PARTICULARLY IN ORDER TO DEAL WITH DEVELOPMENTS IN THE INTERNATIONAL ECONOMIC SITUATION OR IN INTERNATIONAL COMPETITION. ALL AMENDMENTS SHALL BE ADOPTED BY COMMON AGREEMENT BETWEEN THE LIMITED OFFICIAL USE
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PARTIES, WHETHER THEY CONCERN THE SUBSTANCE, THE PROCEDURE OR THE INFORMAL NATURE OF THE AGREEMENT.

4. THIS AGREEMENT SHALL BE REVIEWED SEMIANNUALLY AT A MEETING OF ALL PARTIES.
VIII. ACCESSION

PARTICIPATION IN THIS ARRANGEMENT SHALL BE OPEN TO ALL COUNTRIES. IX. WITHDRAWAL

IX. WITHDRAWAL

WITHDRAWAL BY ANY PARTY FROM THIS ARRANGEMENT SHALL BE EFFECTIVE 45 DAYS AFTER NOTIFICATION TO THE CHAIRMAN OF THE GROUP ON EXPORT CREDITS AND CREDIT GUARANTEES OECD." END TEXT.

7. FOR TOKYO: USG URGES JAPAN TO ATTEND NEXT WEEKS MEETING RATHER THAN WAITING UNTIL LATER DATE TO EXPRESS ITS CURRENT POSITION ON MAJOR ISSUES. 8
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